OMX Marketing Sdn Bhd v Thialan a/l Letchumanan & Ors

HIGH COURT (KUALA LUMPUR) — COMMERCIAL TRIAL NOS (IP)(D7)D5–22–497 OF 2000 AND (IP)D5–22–1784 OF 2004
HAMID SULTAN JC
4 SEPTEMBER 2009

Trade Marks — Passing off — Goodwill — Whether plaintiff originator of trademark — Whether plaintiff had a case in passing off — Whether second and third defendants could injunct plaintiff from using unregistered trademark

From 1990 to 1999 the plaintiff distributed and marketed a Japanese health product ('the product'), manufactured in Japan, in Malaysia. According to the plaintiff the product did not have a brand name and the OMX trademark was an idea conceived by the managing director ('the director') of the plaintiff company. When the distributorship agreement between the plaintiff and the Japanese principal was terminated, the second and third defendants became the new distributors and agents of the product using the OMX trademark. According to the second and third defendants the plaintiff did not have proprietorship of the trademark since the Japanese product had already been marketed in Malaysia since 1988. The second and third defendants also alleged that the OMX trademark was derived and conceived by the Japanese principal. The first defendant had been employed by the plaintiff as a distributor of the product. When the plaintiff terminated the first defendant, he became involved in the multi-level marketing business through the other defendants. The plaintiff instituted a passing off action against the defendants in respect of the OMX trademark. The second and third defendants then counterclaimed to injunct the plaintiff from using the unregistered OMX trademark. When the Japanese principal attempted to register the trademark OMX and OM-X the plaintiff objected, and that issue was now pending the decision of the Court of Appeal. In the instant case the central issue was whether the OMX or OM-X trade name originated from the Japanese principal because if so the plaintiff did not have a case in passing off, as a passing off action is a remedy for the invasion of a right of property.

Held, dismissing the plaintiff's claim with costs to the first defendant and dismissing the counterclaim with no order as to costs:

(1) Although the plaintiff had asserted that it was the originator of the trademark OMX, it had failed to provide all material correspondence and documents to decide this issue. The defendants on the other hand had produced some of the relevant documents that showed that the trademark OMX or OM-X was already in usage (see para 12(a)).

(2) The director of the plaintiff, who was the main witness of the plaintiff, was not a witness of truth. It was clear from the correspondences between the plaintiff and the Japanese principal that the OMX trademark was not exclusively used by the plaintiff. Further in a certificate from the Malaysian authorities the plaintiff had represented the OMX capsule as the product of the Japanese principal. In addition evidence was adduced by the defendants that showed that OM-X was used by the Japanese principal as early as 29 February 1988, that is, before the plaintiff was incorporated or before the director started selling the product. There was overwhelming evidence to show that OMX or OM-X originated from the Japanese principal and not the plaintiff. As such the goodwill in the product goes to the Japanese principal and not to the plaintiff (see para 12(b), (c) & (d)).

(3) As the second and third defendants were not the owners of the OMX or OM-X trademark it would not be appropriate to grant them the relief claimed (see para 12(f)).

[Bahasa Malaysia summary

Dari 1990 hingga 1999 plaintif mengedar dan memasarkan satu produk kesihatan Jepun ('produk tersebut'), dikilangkan di Jepun, di Malaysia. Menurut plaintif produk tersebut tidak mempunyai jenama dan cap dagang OMX adalah satu idea yang difikirkan oleh pengarah urusan ('pengarah tersebut') syarikat plaintif. Apabila perjanjian pengedaran antara plaintif dan prinsipal Jepun ditamatkan, defendan kedua dan ketiga menjadi pengedar dan ejen baru produk tersebut menggunakan cap dagang OMX. Menurut defendan kedua dan ketiga plaintif tidak mempunyai ketuanempunyaan cap dagang memandangkan barangan Jepun itu telah pun dipasarkan di Malaysia sejak 1988. Defendan kedua dan ketiga juga mengatakan bahawa cap dagang OMX diperolehi dan difikirkan oleh prinsipal Jepun. Defendan pertama telah diambil bekerja oleh plaintif sebagai pengedar produk tersebut. Apabila plaintif memecat defendan pertama, dia terbabit dalam perniagaan jualan langsung melalui defendan-defendan lain. Plaintif memulakan satu tindakan kelirupaan terhadap defendan-defendan berhubung dengan cap dagang OMX. Defendan kedua dan ketiga kemudiannya membuat tuntutan balas untuk menghalang plaintif daripada menggunakan cap dagang OMX tidak berdaftar itu. apabila prinsipal Jepun cuba untuk mendaftar cap dagang OMX dan OM-X plaintif membantah, dan isu tersebut sekarang menunggu keputusan Mahkamah Rayuan. Dalam kes ini isu utama adalah sama ada nama niaga OMX atau OM-X berasal dari prinsipal Jepun kerana jika begitu plaintif tidak mempunyai satu kes kelirupaan, kerana satu kes kelirupaan adalah remedi untuk pencerobohan hak harta.

Diputuskan, menolak tuntutan plaintif dengan kos kepada defendan pertama dan menolak tuntutan balas tanpa perintah untuk kos:

(1) Walaupun plaintif telah menyatakan bahawa ia adalah pencipta cap

dagang OMX, ia telah gagal untuk mengemukakan surat-surat dan dokumen-dokumen yang material untuk memutuskan isu ini. Defendan-defendan sebaliknya telah mengemukakan beberapa dokumen-dokumen relevan yang menunjukkan bahawa cap dagang OMX atau OM-X telah pun digunakan (lihat perenggan 12(a)).

(2) Pengarah plaintif yang merupakan saksi utama plaintif, bukanlah seorang saksi yang tulus. Ianya jelas daripada surat-menyurat antara plaintif dan prinsipal Jepun bahawa cap dagang OMX bukan digunakan secara eksklusif oleh plaintif. Selanjutnya dalam satu sijil daripada pihak berkuasa Malaysia plaintif telah membuat representasi bahawa kapsul OMX adalah produk prinsipal Jepun. Tambahan lagi, keterangan dikemukakan oleh defendan-defendan menunjukkan bahawa OM-X digunakan oleh prinsipal Jepun seawal 29 Februari 1988, iaitu, sebelum plaintif diperbadankan atau sebelum pengarah mula menjual produk. Terdapat bukti yang kukuh bagi menunjukkan yang OMX atau OM-X berasal dari prinsipal Jepun dan bukannya plaintif. Oleh itu nama baik produk tersebut adalah kepunyaan prinsipal Jepun dan bukannya kepada plaintif (lihat perenggan 12(b), (c) & (d)).

(3) Memandangkan defendan kedua dan ketiga bukan pemilik-pemilik cap dagang OMX atau OM-X ianya tidak wajar untuk memberi relief yang mereka pohon (lihat perenggan 12(f)).]

Notes

For cases on goodwill, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) paras 2077–2079.

Cases referred to

Auto Sdn Bhd, U-Re v York Pacific Holdings Ltd [2004] 3 CLJ 172, CA (folld)

Keep Good Feel Corp Sdn Bhd (previously known as Fasa Bebas Sdn Bhd) & Anor v Pharma World (M) Sdn Bhd & Ors [2010] 1 MLJ 242, HC (refd)

CH Lee (Lim Chong Hock & Co) for the plaintiff.
Sri Dev (Sri Dev & Naila) for the defendants.

Hamid Sultan JC:

[1] This is my judgment in respect of the plaintiff's claim arising out of passing off action in respect of trademark 'OMX'. And similar orders by way of counterclaim by the second and third defendants to injunct the plaintiff from using the unregistered trademark OMX.

[2] In this case two suits have been consolidated. They are as follows: (i) (IP)(D7) D5–22–497 of 2000 and (IP)D5–22–1784 of 2004. The main suit is Suit No D7–22–497 of 2000.

[3] Parties have requested that the issue of liability be dealt with first, and the issue of quantum can be referred to the deputy registrar. Parties have also agreed the decision in Suit No 22–497 of 2000 will be binding on case 22–1784 of 2004.

BRIEF FACTS

[4] The plaintiff says (i) it was a distributor of a product manufactured in Japan; (ii) product was imported from Bio-Activity Research & Development Centre Co Ltd Japan without any brand name from 1990 to 1999; (iii) the product was marketed in Malaysia as OMX; (iv) the said OMX trademark was an idea conceived by the managing director ('PW1') of the plaintiff; (v) the said distributorship agreement was terminated by the Japanese; (vi) the second and third defendants are new distributors and agents are selling the products using their trademark OMX or OM-X.

[5] The defendant says (i) the product has already been marketed as early as 1988 under one sole proprietor trading under the name of Bio Tech Enterprise in Malaysia; (ii) OMX or OM-X trademark was derived and conceived by a Japanese Iichiroh Ohhira of the Japanese company; (iii) Iichiroh developed the said health product which was initially named as OHHIRA MOUNTAIN EXTRACT and later invented a fanciful word 'OM-X' to relate to the word *O*HHIRA *M*OUNTAIN *E*XTRACT; (iv) the plaintiff does not possess proprietorship of the trademark; (v) after the plaintiff's distributorship agreement was terminated the second and third defendants are selling the product with the relevant license from the relevant authorities.

PRELIMINARIES

[6] One witness gave evidence for the plaintiff and one for the defendants. The issue before the court is simple and straight forward in that, does the plaintiff have a case in passing off.

[7] In the instant case, it is not disputed that the plaintiff as well as the defendants are involved in multi level marketing and in consequence purchasers will be exclusive as opposed to the general public. The first defendant was employed by the plaintiff and was also the top ranking

distributor of the plaintiff. The plaintiff had terminated the first defendant and now the first defendant is involved in the multi level marketing business through the other defendants.

[8] The fact the tradename OMX or OM-X originates form the Japanese principal is a central issue in the instant case. However, the plaintiff themselves did not disclose all relevant communication with the principal. It is the defendants who disclosed some of the salient documents to show the name OMX or OM-X was already in the market before the plaintiff was formed or OMX or OM-X was not a trademark which was exclusively used by the plaintiff without any objection by them. In an action for passing off or for that matter infringement of trademark, the owner of trademark is required to take necessary objection or steps when others attempt to use it or the goodwill may be lost. I have dealt with this area of jurisprudence and case laws in detail in the case of *Keep Good Feel Corp Sdn Bhd (previously known as Fasa Bebas Sdn Bhd) & Anor v Pharma World (M) Sdn Bhd & Ors* [2010] 1 MLJ 242. I do not wish to repeat the same save to address the relevant issues directly.

[9] In essence, if the infringement of the mark is not prevented, the mark may become generic words and in consequence may lose protection. For the purpose of the instant case it is essential to note that a passing off action is a remedy for the invasion of a right of property not mark per se as opposed to registered trademark. I will elaborate on this later in my judgment.

[10] It has also been brought to the attention of the court the Japanese principal attempted to register the trademark 'OMX' and 'OM-X'. The plaintiff objected and that issue is pending the decision of the Court of Appeal. For purpose of this case the plaintiff's claim and the third defendants' counterclaim is based on common law remedies and not associated with registered trademarks.

[11] For the purpose of this case it is crucial to examine exh D8, the box, the capsules were sold as early as 1988 or 1989 by a sole proprietor, of Bio Tech Enterprise. And that box carries the logo AM-X and the product is called OHHIRA MOUNTAIN EXTRACT manufactured by the Japanese. This will also be consistent with the defendants' claim that OM-X trademark was already marketed as early as 1988.

[12] I have heard the evidence, seen the relevant exhibits, read the documents and submission of the parties in detail. I am grateful to learned counsel for having dealt with the evidence and submission in detail. I do not wish to repeat save to deal with the salient issues only. I have gone through the documents and exhibits in detail and after having given much

consideration to the submission of learned counsel for plaintiff, I take the view that the plaintiff's action and the second and third defendants' counterclaim must be dismissed. My reasons, inter alia, are as follows:

(a) The plaintiff in this case is asserting that they were the originator of the trademark OMX. However, they have, I will say, without any hesitation failed to put forward all correspondence and documents which are material to decide this issue. In this case, the allegation of the defendants is that the Japanese principal is the originator. And they produced some of the relevant documents to show that the trademark OMX or OM-X was already in usage.

(b) I find PW1 the main witness of the plaintiff is not a witness of truth. This is evident from cross-examination and the relevant documents during cross-examination the defendants placed to mark as exhibits. The documents which relate to the correspondence with the Japanese principal letterhead had the trademark OM-X. In addition, PW1 also identifies the Japanese product as OMX capsules. The Japanese also identifies their communication as OMX products. Thus, it is clear from the correspondence that the trademark OMX was not exclusively used by the plaintiff and the plaintiff during such correspondence have not objected to the Japanese referring to the capsules as OMX capsules or using the trademark as OM-X in their letterhead. In my view unless the Japanese principal are the owners of the trademark, there is no reason for them to use OM-X in the letterhead or say their product is OM-X capsule. Further, unless the product OMX capsule is the Japanese product, there is no reason for PW1 to refer the product produced by the Japanese principal as OMX capsules in his correspondence. In addition, in exh P1 at p 3, the plaintiff has shown a certificate from the Malaysian authorities where the plaintiff themselves have represented OMX capsule as the product of the Japanese principal. Further, the plaintiff in their marketing brochures have represented to the Malaysian public the trademark OMX with Dr OHHIRA.

(c) The defendant during the cross-examination of PW1 managed to establish that OM-X was used as early as 1988 or 1989 by the sole proprietor Mr Ho Hee Toon to which PW1 admitted. And exh D8 will stand as a strong proof to defeat the plaintiff's claim. In addition, encl 87 at p 59 which has been marked as exhibit clearly shows that OM-X was used by the Japanese principal as early as 29 February 1988 even before the plaintiff was incorporated or PW1 started selling the product.

(d) I will say that there is overwhelming evidence to show that the mark OMX or OM-X originates from the Japanese principal and not the plaintiff. And further, from the entire advertisement brochure it is clear on the facts of the case the goodwill in the product goes to the Japanese

principal and not to the OMX trademark used by the plaintiff. To put it another way, if not for OMX capsules there is no goodwill which can be associated to the OMX trademark used by the plaintiff. In *U-Re Auto Sdn Bhd v York Pacific Holdings Ltd* [2004] 3 CLJ 172 Gopal Sri Ram JCA had this to say:

> The importance of the existence of goodwill was brought home by Lord Diplock in the advice of the Privy Council delivered in *Star Industry Co Ltd v Yap Kwee Kor* [1976] 1 MLJ 149 at p 155:
>
> A passing off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing off one person's goods as the goods of another.

(e) I have gone through the pleading of the defendants and the evidence of DW1. It is my finding that DW1 is a witness of truth. And I accept his evidence in full save as to the issue of counterclaim.

(f) As for the counterclaim, I take the view that the second and third defendants are not the owners of the trademark OMX or OM-X and on the facts of the case, it will not be appropriate exercise of judicial discretion to grant them the relief claimed.

[13] For reasons stated above, I dismiss the plaintiff's claim with costs to the first defendant only. The costs to be fixed in the sum of RM50,000 to be paid by the plaintiff to the first defendant. The counterclaim is dismissed with no order as to costs. It is also appropriate to make order for Suit No D5–22–1784 of 2004. In respect of that suit the action is dismissed with no order as to costs.

[14] I hereby order so.

Plaintiff's claim dismissed with costs to the first defendant and counterclaim dismissed with no order as to costs.

Reported by Kohila Nesan